



Kansas Department of Credit Unions

KDCU Newsletter

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Credit Union Examinations and Reporting

KDCU receives questions concerning credit union examination procedures and reporting. If your questions are not answered in this brief article please contact the Administrator or your financial examiner.

Examination Scheduling

Examinations are scheduled several months in advance by the Topeka office. If the examination includes a share insurance review by NCUA, coordination in scheduling must occur by KDCU with NCUA. KDCU will be meeting with NCUA in November or December, 2012 to determine the credit unions receiving an insurance review in 2013. Usually 2 to 4 weeks prior to the examination the examiner will contact the credit union and send a list of items requested.

How often are credit union examined?

Examinations are scheduled at least every 18 months. KDCU is on a 12—13 month cycle. If the credit union is a Code 3, 4 or 5, examinations and contacts are scheduled every 3 to 6 months. Credit unions >250 million in total assets are examined annually and receive an insurance review by NCUA.

How is the scope of the examination determined?

The complexity of the credit

union's products, investments and services along with the financial performance will determine the scope. The call reports and previous examination reports are also reviewed.

Should key management staff, the Supervisory Committee and Board be available during the examination?

Yes, Management staff, Supervisory and Credit Committee members and the Board are all participants in the examination. Management should be available throughout the examination.

What is the role of the Supervisory Committee during the examination?

The Supervisory Committee supervises the acts of the Board, Credit Committee and officers (K.S.A.17-2211). During the examination the examiner will meet with the Committee to review their work including the annual audit, verification of member accounts and work done by the Committee throughout the year. The annual audit is to be arranged for and reported directly to the Supervisory Committee.

How is the examination report delivered?

Results of the examination are delivered in stages. Near the conclusion of the on-site examination the examiner-in-charge will meet with the manager of the credit union to review the results. These may include the DORs if any, Examiner's Findings, Key Ratios, Risk Ratings, CAMEL ratings and

other Reports. Management can and should bring additional information to the attention of the examiner in support of their position.

When does the examiner meet with the Board? Why?

A meeting with the Board and key managers is held at the conclusion of the on-site work. The examiner presents the examination overview, DORs, Examiner Findings, Risk and CAMEL ratings. The Board is encouraged to discuss the Findings and DORs and asked to take formal action to accept the DORs. If the Board does not agree with a DOR an appeal to the Administrator may be made. If the DOR represents a significant safety and soundness issue, the action required by the DOR should begin by the time frame required in the examination.

When is the written report issued?

The written report is reviewed by the KDCU office, edited and a transmittal letter signed by the Administrator is prepared. The report is sent to the credit union within 30 days of the joint conference with the Board. The report contains the Examination Overview, DORs (if any), Risk Ratings (low, moderate or high) Examiner Findings, and CAMEL ratings (1 to 5 and the overall aggregate rating), Key Ratios, Financial Statement and other information. Within 60 days, the Board, management and Committee members should review the report and return to the KDCU office the completed

form indicating they have reviewed it.

What action should the credit union take when the DOR is completed?

Notify the KDCU office in writing the specific DORs have been completed.

Low-income Designation

Recently NCUA designated over 1,000 federal credit unions as low-income credit unions. Federal credit unions are waived from the 12.25% cap on member business loans, can receive supplemental capital and apply for certain federal grants or programs. The NCUA low-income designation is for federal credit unions and does not directly include state chartered credit unions.

Kansas credit unions can apply for

low-income designation by contacting the Administrator. Credit unions currently designated as low-income are Catholics United Credit Union, Holy Name Credit Union, Kansas Teachers Community Credit Union, Mid Plains Credit Union, Parson Pittsburg Credit Union, River Cities Community Credit Union and Victoria Community Credit Union.

Amendment of Bylaws to remove the Credit Committee

Bulletin 2012-KDCU-CUB-04 describes the steps to be taken to eliminate the Credit Committee from the credit union's bylaws. Passage of SB 263 by the Kansas legislature and approval by the Governor eliminates the requirement that a credit union only use a Credit Committee for the approval of

every loan. The legislation authorizes the Credit Committee, credit manager, or loan officer to have general supervision of lending to the members. The legislation also provides that any member who is denied a loan has the right to appeal the decision to the Board of Directors if the bylaws allow such an appeal.

KDCU has prepared revised standard bylaws for use by credit unions as a starting point in revising their bylaws. The revised standard bylaws should be tailored to meet the credit union's specific requirements. Credit unions are expected to utilize their own independent legal counsel and business judgment when evaluation, using, or modifying the revised standard bylaws. The revised standard bylaws are available by contacting the KDCU office.

No amendment to credit union bylaws are operative until approved by the

Administrator in writing.

September 30, 2012, Call Report Cycle

The deadline for credit unions to have their September 30 call reports completed and certified on Credit Union Online is Friday, October 19, 2012. If you have not submitted the 2012 Roster of Credit Union Officials and Oath of Directors and Committee Members, please do so after your credit union's annual meeting.

Bulletins Issued

Since the last newsletter two bulletins have been issued. KDCU bulletins and newsletters are on the KDCU web site at www.kansas.gov/kdcu/.

CREDIT UNION COUNCIL MEETS

The Credit Union Advisory Council met on September 6, 2012 by conference call. Council members attending were Bob Corwin, Sue Henke, Dan Springer, Deann Shinkle, John Beverlin, Gilbert Benton and Jim Holt. KDCU staff present were Jenny Rezac, John P. Smith and Michael Baugh. Guests were Haley DaVee, Kansas Credit Union Association and Larry Eisenhauer, Kansas Corporate Credit Union.

The Council received and discussed several reports:

- ◆ KDCU financial reports.
- ◆ KDCU draft 2014—2015 budget

- ◆ Kansas credit union condition report.

◆ Changes in credit union bylaws, articles of incorporation, credit union mergers, administrative actions, number of credit unions on monthly reporting, frequency of examinations, and new branches approved.

- ◆ A report from the NASCUS/NCUA Region IV meeting with state regulators was given by Mike Baugh and the Administrator.

Larry Eisenhauer, President/CEO Kansas Corporate Credit Union described the activities of Kansas Corporate Credit Union. He also commented on the proposed

NCUA rule regarding the Central Liquidity Fund.

Haley DaVee reported on the activities of the Kansas Credit Union Association.

The next meeting of the Credit Union Advisory Council is scheduled for 10 a.m., Thursday, December 6, 2012 at the KDCU Topeka office.

Council meetings are public meetings open to credit unions and the public. Meeting notice and agenda are on the KDCU web site at www.kansas.gov/kdcu/. Credit unions are encouraged to attend.

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